

CITY OF MANILLA

**Independent Accountants' Report on Applying
Agreed-Upon Procedures
For the Period
July 1, 2015 through June 30, 2016**

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants
CARROLL, IOWA

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City of Manilla

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Patrick Wuestewald	Mayor	December 31, 2017
Carolyn Rutherford	Council Member	December 31, 2019
Wyatt Badow	Council Member	December 31, 2017
Leonard Kaufman	Council Member	December 31, 2019
Corey Gaskill	Council Member	December 31, 2018
Kurt Chapman	Council Member	December 31, 2019
Allen Foster	Trustee	December 31, 2021
Barry Christensen	Trustee	December 31, 2016
Dawn Sturm	Trustee	December 31, 2018
Laura Jahn	Clerk	Indefinite
Mary Ann Macumber	Treasurer	Indefinite
Jeff Blum	Secretary	Indefinite
Allen Nepper	Attorney	Indefinite

OLSEN, MUHLBAUER & CO., L.L.P.

Certified Public Accountants

PARTNERS

**RICHARD D. MUHLBAUER
PATRICK J. O'BRIEN
TRUDENE L. WITTMACK
KARLA L. FULTON
TAMMY M. BRUCH
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**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Manilla for the period July 1, 2015 through June 30, 2016. The City of Manilla's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagement contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended uniform chart of accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2016 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.
10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Manilla, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Manilla and other parties to whom the City of Manilla may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Manilla during the course of our agreed upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Olsen, Muhlbauer & Co., LLP
OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

Carroll, Iowa
November 28, 2016

DETAILED RECOMMENDATIONS

CITY OF MANILLA

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

(A) **Segregation of Duties** – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City (a separate individual performs duties for the utility funds):

- 1) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- 2) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- 3) Payroll – recordkeeping, preparation and distribution.
- 4) Utilities – billing, collecting, depositing and posting.
- 5) Financial reporting – preparing and reconciling.
- 6) Journal entries – preparing and journalizing.

Recommendations – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) **Reconciliation of Utility Billings, Collections and Delinquent Accounts** – While a monthly summary of new charges, collections and accounts receivable are reviewed and approved, the actual outstanding month-end balance is not reconciled using the monthly totals available.

Recommendation – The clerk should ensure that monthly billing and collection activity reconcile to the ending accounts receivable balance. The City Council should review the reconciliations.

CITY OF MANILLA

Detailed Recommendations For the Period July 1, 2015 through June 30, 2016

- (C) **Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Barry Christensen, Trustee, Owner of Harvey's Oil Co.	Purchase of gas, diesel and repairs	\$12,078.20
Leonard Kaufmann, Council / Committees Owner of Leonard's Repair	Equipment and repairs	\$8,497.35
Allen Foster, Trustee Owner of Foster Dozer Service	Water plant maintenance, dozer and labor	\$2,935.59

In accordance with Chapter 362.5(K) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendations – It is noted that these are local economically feasible vendors; however, the City should consult legal counsel to determine the disposition of this matter.

- (D) **Disbursement Classification** – The following disbursements did not provide evidence of proper classification in accordance with the recommended Chart of Accounts. However, it is noted that all other requirements for proper disbursement processing were complied with. These disbursements are detailed as follows:

Paid To	Date	Amount
MBMECA	8-19-15	\$2,084.28
Counsel	4-12-16	\$14.53
Star Leasing, LLC	4-12-16	\$70.83
Manilla Insurance Agency	4-25-16	\$8,833.67

Recommendation - The City Council should review procedures with city officials regarding documentation of disbursement processing in compliance with state recommendations.

CITY OF MANILLA

**Detailed Recommendations
For the Period July 1, 2015 through June 30, 2016**

City of Manilla

Staff

This examination was performed by:

**Richard D. Muhlbauer, CPA, Staff
Patrick J. O'Brien, CPA, Manager
Stacy L. Andersen, CPA, In-Charge**